DOCUMENT RESUME

ED 342 306 HE 025 277

AUTHOR	Schenet, Margot A.
TITLE	Student Aid Need Analysis Simplification: Issues and Options. CRS Report for Congress.
INSTITUTION	Library of Congress, Washington, D.C. Congressional Research Service.
REPORT NO	CRS-91-567-EPW
PUB DATE	23 Jul 91
NOTE	16p.
PUB TYPE	Information Analyses (070) -- Reports - Evaluative/Feasibility (142)
EDRS PRICE	MF01/PC01 Plus Postage.
DESCRIPTORS	Access to Education; Eligibility; *Federal Legislation; Federal Programs; Financial Support; Higher Education; *Need Analysis (Student Financial Aid); Parent Financial Contribution; Paying for College; Policy Formation; *Records (Forms); Student Financial Aid; Student Loan Programs; Student Needs; Systems Analysis
IDENTIFIERS	*Application Forms; *Higher Education Act Title IV

ABSTRACT

As part of the reauthorization of the Higher Education Act of 1965 the Congress has examined concerns that the process of applying for aid under the Act's Title IV has become increasingly complex and may itself be creating barriers to an equitable student aid delivery system. Under the current system students are required to provide financial information to be used in formulas for determining the amount that the family can reasonably be expected to contribute to the cost of attendance at a postsecondary institution. The reauthorization bill requires the Department of Education to develop a common financial reporting form for students to use in applying for aid; it also mandates the use of a simplified need analysis to make it easier for students from the families with the lowest incomes to apply. During reauthorization a number of need analysis simplification proposals have been considered including promotion of a common, free federal application form or improvements in the processing of student information in other ways, changes to the eligibility criteria and procedures for using a "simplified" need analysis, and the integration of the two separate need analysis formulas currently in the statute. Twelve notes are included. (JB)

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91-567 EPW

CRS Report for Congress

ED342306

Student Aid Need Analysis Simplification: Issues and Options

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HE 025 277

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STUDENT AID NEED ANALYSIS SIMPLIFICATION: ISSUES AND OPTIONS

SUMMARY

The Higher Education Act of 1965 (HEA), authorizing the major Federal programs supporting postsecondary education, will expire during the 102d Congress. Title IV of the act currently generates about $18 billion in student aid to help financially needy students attain postsecondary education. The types of aid available under title IV include student loans, grants, work study assistance, and fellowships. Title IV also contains two separate formulas for assessing a student's financial need, one for the Pell grant program and another for the rest of title IV aid. These need analysis formulas use information about the student and his or her family's income and assets to determine the amount that the family can reasonably be expected to contribute to paying for the cost of attendance at a postsecondary institution. Students are required to provide the information to be used in these formulas as part of the application process. Concerns have been raised that this process has become increasingly complex and is itself creating barriers to an equitable student aid delivery system. These barriers include the costs and difficulties for students in applying for aid that may discourage some from applying, and potential inequities because students in similar financial circumstances may be treated differently under different formulas.

To make the application process easier for students, the HEA requires the Secretary of the Department of Education (ED) to develop a common financial reporting form for students to use in applying for title IV aid. In addition, the act mandates the use of a "simplified" need analysis to make it even easier for those students from families with the lowest incomes ($15,000 and below) to apply. Although there is no fee for the Federal application, it is only one of six different forms students may use to apply for title IV student financial assistance. The Application for Federal Student Aid (AFSA) developed by ED contains over 50 questions, with supplemental worksheets, and 10 pages of instructions. Other application forms in use frequently supplement the federally required data with additional questions needed to determine eligibility for State and institutional aid. Students wishing to apply for other aid and filling out the additional information are charged a fee. In addition, despite the existence of the "simplified" needs test, recent estimates are that only 17 percent of those eligible to use the "simplified" version of the application (actually a subset of questions) actually do so.

During reauthorization, a number of need analysis simplification proposals are being considered. These proposals include promotion of a common, free Federal application form or improvements in the processing of student information in other ways, changes to the eligibility criteria and procedures for using a "simplified" need analysis, and the integration of the two separate need analysis formulas currently in the statute.

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STUDENT AID NEED ANALYSIS SIMPLIFICATION: ISSUES AND OPTIONS

OVERVIEW

The Higher Education Act of 1965 (HEA), authorizing the major Federal programs supporting postsecondary education, will expire during the 102d Congress. Of primary concern is title IV of the act, which currently generates about $18 billion in student aid to help financially needy students attain postsecondary education. The types of aid available under title IV include student loans, grants, work study assistance, and fellowships.[1] In order to receive Federal student aid under title IV of HEA, a student must submit an application to establish his/her eligibility and financial need for assistance. The application form requests demographic and financial data from the student through a series of questions that the Secretary of the Department of Education (ED) determines will supply the statutorily defined financial and other data needed to calculate financial need.

The actual application form may be any one of six forms, the Application for Federal Student Assistance (AFSA) that consists of only the required Federal information, or one of the application forms developed by the entities that contract with the Federal Government to process the information needed for Federal aid eligibility determinations. These five Multiple Data Entry (MDE) processing contracts are specifically to process and transmit to a central facility, also under contract with ED, the information needed to calculate an official Pell grant index. However, since applicants for most part B loan programs must now also apply for Pell eligibility, these processors handle almost all aid applications.[2] The applications developed by the MDE contractors generally also contain additional questions that the processors have contracted with States and institutions to use in order to provide information on their students. Currently under contract as MDE processors are the American College Testing Program (ACT), College Scholarship Service (CSS, a division of the College Board), CSX Technologies, Pennsylvania Higher Education Assistance Agency (PHEAA), and United Student Aid Funds (USAF).

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[1]The main programs of aid authorized by title IV of HEA are the Pell grant program, Guaranteed Student Loans, and the so called campus-based aid programs: Supplemental Educational Opportunity Grants, Perkins Loans, and College Work-Study.

[2]Other institutions or entities may be certified by ED to collect information and determine eligibility for the other title IV aid programs (part B loans and campus-based programs).

Once the application is received, the information is used to calculate student eligibility under each of two different need analysis formulas set in statute. Each of these formulas, the Family Contribution Schedule (FCS) for Pell grants, and the Congressional Methodology (CM) for other title IV assistance,[3] assesses the extent to which the family and/or the student can contribute to the cost of education, by using information about the student and his or her family's income and assets. Basically, the formulas take the family's total income and subtract certain offsets or allowances for taxes and living expenses. Assets, including home equity, are also counted, again with certain allowances, essentially for retirement savings. The remaining income and assets are then assessed at a particular rate and the resulting amount is what the formula estimates that the family can contribute to the cost of attendance.

Only if the "expected family contribution" (EFC) is less than the cost of attendance is the student determined to have financial need. While the formulas use the same financial information, both the offsets against income and assets and the assessment rates differ between the Pell formula and the CM, and they produce different expected family contribution amounts for Pell grants and the other title IV aid programs. Once the data are processed, the student receives a Student Aid Report with the family contribution information and presents this to the financial aid administrator at his/her respective postsecondary institution (the school may have also received the information directly from the MDE). As the foundation for a student aid package, the financial aid administrator first uses the Pell grant index and cost of education to calculate a Pell award.[4] Then, based on the family contribution amount from the CM formula, the aid administrator determines the student's need for assistance from the part B loan programs and/or the campus-based programs, using an institutionally determined aid packaging strategy that will generally take into account the family contribution, education costs, other aid (including Pell grant and institutional and State aid programs), and available program funds.

In order to make the application process easier for students and their families, the HEA requires the Secretary of ED to develop a common financial reporting form for students to use in applying for all title IV aid (the AFSA). Applicants are not to be charged for processing the data required by the Federal Government to determine eligibility and the need for assistance. In addition, the 1986 HEA amendments mandated the use of a "simplified" need analysis to make it even easier for those students from families with the lowest incomes ($15,000 and below) to apply. Families eligible for the simplified test need not answer questions about assets on the application. Nevertheless, concerns have been raised that the application process has become increasingly complex and is itself creating barriers to an equitable student aid delivery system.

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[3]Sections 411A-F and 471-480 of HEA, respectively.

[4]Pell awards are the lowest of three calculations: the maximum Pell grant award minus the EFC, the cost of attendance minus the EFC, or 60 percent of the cost of attendance.

The free Federal application form (AFSA) developed by ED runs to over 50 questions, with supplemental worksheets, and 10 pages of instructions. Other application forms in use frequently supplement the federally required data with additional questions needed to determine eligibility for State and institutional aid. While ED contracts with the MDEs to provide free processing of the data needed for Federal aid, students wishing to apply for other aid and filling out the additional information are charged a fee. Estimates are that less than 40 percent of all applicants use free Federal processing. In addition, despite the existence of the "simplified" needs test, recent estimates are that only 17 percent of those eligible to use the "simplified" version of the application (actually a subset of questions on the application form) actually do so; the rest complete all the questions on assets even though they need not do so.

During reauthorization of the HEA, Congress is considering a number of proposals to reduce the complexity of the application process and of the underlying formulas for determining financial need. Proposals for simplification include changes in the delivery system to promote the use of a common, free Federal application form or to improve the processing of student information in other ways, changes to the eligibility criteria and procedures for using a simplified need analysis, and the integration of the separate Pell FCS and the CM formulas used to determine need. These efforts to simplify the application and eligibility determination process will be evaluated by a number of criteria: the extent to which they make the application process easier for the students, or ensure that applicants in similar financial situations are treated the same, and/or increase the efficiency of the processing; the potential increases in program costs that might result; and, the extent to which they may redistribute aid among families in different financial situations.

ISSUES AND OPTIONS

FREE FEDERAL PROCESSING AND THE ROLE OF THE MULTIPLE DATA ENTRY PROCESSORS

Establishing a free application form for Federal student assistance was considered a major step in the direction of simplifying the application process for at-risk and disadvantaged students in the 1986 amendments to the HEA. In addition, it was hoped that by requiring ED to contract with at least five application processors and not just the two largest (CSS and ACT) to process the federally required data without charging students, competition would be encouraged and fewer students would be charged fees for filling out student aid applications. The problem is that many institutions and States continue to require additional data to make decisions about the awarding of nonfederal aid. MDEs may receive payments for sending the additional data to States and institutions, and also charge students a fee for processing that data and sending the information to the schools. Students who fill out only the federally required information on one of the MDE application forms or who use the AFSA would not be considered for these other aid programs.

According to the most recent estimates available, approximately 45 percent of Federal aid **recipients** in the fall of 1986 also received State and/or institutional aid (22 percent received institutional aid). In terms of aid awarded, the College Board estimates that in 1989-1990, of a total of $27.8 billion in aid, 21 percent was institutionally awarded aid, and 6 percent was State grant aid.[5] There are no data available to show the percentage of all **applicants** for Federal aid that received institutional and/or State aid. Given the decline in the purchasing power of Federal assistance relative to the cost of attendance, particularly at private 4-year colleges and universities, the dilemma is how to guarantee that poor students are not charged to prove they are poor and at the same time prevent them from being denied the additional aid they may need to attend the school of their choice.

One alternative being considered during this reauthorization is to retain the current application and eligibility processing structure and provide some incentives to States and institutions to use only the federally required data for their aid programs. This might include expanding the free Federal core of information to include a minimal number of additional items most needed by States and institutions or attempting to use the MDE contracting process to negotiate lowering the cost of additional data requirements. A number of States have been moving in the direction of using only the federally required data for determining their aid awards. Proposals have been made to require ED to exercise some additional oversight of the costs of the nonfederal data elements through the MDE contract process. It could be argued that the Federal Government has an interest in the nonfederal data because of the consequences to student aid applicants in terms of fees. On the other hand, the aid application processors and institutions may argue that institutions have the right to determine what data they require for their own aid programs and that unless the Federal Government is willing to pay for all the data collected, schools and States will need to use the aid processors to provide the information, and students in turn will continue to be charged a fee.

Another alternative is to essentially give up efforts to move in the direction of a free application for all aid and to totally separate the processes of applying for Federal and nonfederal aid. Under this approach, students would fill out a free Federal application and another form for which they probably would be charged, to apply for nonfederal aid. Arguably, this would not reduce the cost to poor students who need additional aid, but would at least make clear that the fees were not federally imposed. The Administration's higher education reauthorization proposal[6] appears to move in this direction. It would retain free Federal processing but remove the requirements for MDE contracts and have all Federal applications processed centrally. On the other hand, the proposal also eliminates the required Student Aid Report, leaving it up to

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[5]U.S. Department of Education. *National Postsecondary Student Aid Survey*(NPSAS), October 1986; and The College Board. *Trends in Student Aid: 1980 to 1990*. Washington, Aug. 1990.

[6]H.R. 2627, S. 1246.

individual institutions to inform students of their eligibility, presumably to save the cost of printing the reports. Also, the document looks like a Treasury check and causes confusion. This could however have the effect of increasing the complexity for applicants and inhibiting their ability to choose among schools, since they would have to get the information from the institutions. Finally, some have argued that the current system could best be decentralized by allowing individual institutions to develop their own procedures to assess need for Federal aid for the lowest income students, and eliminating the requirement for a free common application form from the statute.

SIMPLIFICATION

As discussed above, even the federally required data a student must supply include a large number of questions and complex instructions--the AFSA appears at least as daunting to fill out as some forms produced by the IRS. During this reauthorization, efforts may be made in a number of areas to make the process easier and less time consuming. These areas include simplifying the reapplication process, reducing the number and complexity of the questions asked of all applicants for title IV aid, and revising or modifying the separate simplified needs test currently in the statute for the lowest income applicants.

Reapplication

Currently, needy students who are already receiving title IV aid must complete the entire application form to reapply for assistance a second time. According to the Advisory Committee on Student Financial Assistance (ACFSA), over 50 percent of the students eligible for Pell grants in 1988-89 reapplied in 1989-1990, with family contribution amounts that changed minimally for many students, regardless of their income level.[7] Arguably, the neediest students with minimum income and assets will experience virtually no change in financial circumstances from year to year. One approach to simplification then is to develop a way to streamline the reapplication process, so that students who continue at the same institution would be able to update relevant data elements without having to resubmit an entirely new application form. Proposals include the development of a separate reapplication form, use of a student certification procedure that family financial data have remained the same or within specified limits, or a demonstration or pilot in which ED would transmit original application data to an institution and specify which items should be updated and resubmitted by the financial aid office.

Changing the Information Requirements

There are a number of elements in the current need analysis formulas in the statute that have proved to be problematic, either because of the burden they place on applicants in terms of the questions they must answer to satisfy

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[7] *Priorities for the 1990s: Recommendations for Reauthorizing the Higher Education Act of 1965.* A Report of the Advisory Committee on Student Financial Assistance. Washington, Mar. 1991.

the definitions in the statute, because the answers are difficult to verify, or because they appear to result in inequities. As a result, a number of proposals to modify or change certain formula components are being considered during reauthorization. Most of the proposed changes have as a primary goal or at least a consequence, simplification of the application form. However, to remedy perceived inequities, some of the proposed changes might actually require the collection of additional information from applicants. These elements include the conditional definitions of an independent student, modifications of formula elements for displaced homemakers and dislocated workers, counting parents enrolled in postsecondary courses, the treatment of savings, and the treatment of home equity.

Definition of Independence and Special Conditions

One component for which a number of changes are being proposed is the definition of independent students. The formulas for determining the family contribution vary by the dependency status of the student. Currently, in addition to several automatic criteria (age 24, among others), students may be considered independent if they satisfy certain conditions, i.e., graduate students or married students who are not claimed as a dependent by their parents, and unmarried undergraduates who demonstrate financial self-sufficiency. These conditional definitions and the latter criterion in particular have added substantially to the complexity of the application--16 questions on the form are related to the definition of independence. In addition, there is considerable opportunity for abuse of the conditional requirements by students who are able to manipulate the data to establish self-sufficiency even though they actually continue to receive parental support. Changes being proposed include making graduate and/or married students automatically independent and either eliminating the self-sufficiency test from the definition or strengthening the requirements to prevent abuses. Obviously, strengthening the requirements is unlikely to result in simplification of the information required.

Another similar area concerns provisions that were added to the need analysis formulas in the last reauthorization to allow relaxed treatment of income and asset information in the case of displaced homemakers and dislocated workers, because of their special financial circumstances.[8] There are a series of questions on the application form needed to identify those who qualify for this special treatment, yet data from financial aid administrators and ED suggest that very few applicants actually qualify for these exceptions and that the questions add complexity and are a source of considerable applicant error. As a result, a number of groups are proposing the elimination of these special cases.

In both of the above areas, the proposals to eliminate certain conditional requirements that arguably apply to very few student applicants and complicate

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[8]To take care of emergency situations affecting financial stability, the modifications allow the use of current year income for dislocated workers and the exclusion of home equity for displaced homemakers.

the application process are based on the continued ability of financial aid administrators to apply professional judgement to take account of these unusual circumstances without requiring all students to submit the relevant information.[9] One problem with this approach is that while the statute currently provides for the exercise of professional judgment in determining financial need for both Pell grants and the other title IV aid programs,[10] overriding appropriations language in recent years has eliminated such discretion for the Pell grant program in the interest of budgetary restraint. Thus removing the exceptions and conditional requirements in the interest of simplification could have the unintended consequence of treating these unusual circumstances differently for the Pell grant and the rest of title IV programs. Language could be added elsewhere to the statute to insure that these are special conditions for purposes of the Pell grant program.[11] On the other hand, some argue that allowing financial aid officer discretion can itself be a threat to equity because of the danger that the decisions made by administrators at different institutions would treat students in similar circumstances differently.

Parents Enrolled in Postsecondary Education

A number of other modifications to other formula components may be considered in order to deal with potential abuses or inequities. One concern is whether to continue to count parents as family members enrolled in postsecondary education. The number of such members is used to reduce the family contribution, and it is claimed that some parents may abuse the system by enrolling in a single low cost course to get their contribution lowered. In addition, families with parents enrolled may have less financial burden than the formula assumes since parents in college frequently are supported by their employers. Requiring that only parents in degree or certificate programs be counted could arguably increase the complexity of the application form, while excluding parents from the number enrolled in postsecondary education could result in a hardship on low income families that are legitimately trying to improve their situation through education.

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[9]Several organizations have also proposed removing two special allowances against income from the formulas (for exceptional medical expenses, and private elementary and secondary school tuition expenses), with the proviso that they be available as offsets at the discretion of the financial aid administrator. Presumably, the information would no longer be collected routinely from all applicants, but if brought to the attention of the financial aid officer, could be used to reduce available income.

[10]Under section 479 of the HEA, the financial aid administrators have discretion to adjust data (but not the formula) on an individual basis.

[11]ED regulations currently define certain "special conditions" and the specific changes in data that can be made for the Pell program (34 C.F.R. 690.31, 690.32).

Family Savings

Another area of concern is the treatment of savings in calculating the EFC. Not only do the current needs tests not encourage specific savings for education, but it has been argued that they actually provide a disincentive, since the more savings a family has accumulated, the more the family is expected to contribute to postsecondary costs. The problem is trying to encourage families to save, while still maintaining a formula that gives more aid to students with fewer financial resources. On the one hand, the Administration has proposed protecting less savings from assessment towards the family contribution than the current formulas provide. On the other hand, several proposals have been made either to include an additional protection of savings in the formula for the parents of dependent students, on the assumption that shielding a specific amount from assessment would be an encouragement and recognition of savings for educational expenses. Other approaches may explicitly exclude from counting as assets any savings invested in education savings bonds, or the various tuition prepayment plans that have recently come into being in a number of States.

Home Equity

Another issue that is frequently raised in connection with proposals for simplication is the treatment of home equity in the need analysis formulas. In its broadest sense, this is less an issue of simplifying the information requirements and more a question of attempting to broaden access to student aid to more moderate and middle income families who may now be excluded. This is because the need analysis formulas include home equity and thus raise the expected family contribution amounts. Whether more middle income families should be eligible for aid and the appropriateness of requiring families to borrow on their homes to send their children to college are essentially value judgements and political issues. However, there is a narrower issue concerning regional variations in home values and the effects of inflationary real estate markets that has stimulated various proposals to change the treatment of home equity in the need analysis formulas.

Of particular concern recently is the situation of families of moderate or low income whose home values and therefore equity are inflated by the real estate market. The formulas currently assume these families can convert that equity into funds for education expenses, when in reality their income level probably precludes getting a home equity loan. One proposal to deal with this is establishing a cap on the amount of home equity that is counted in the formula. This arguably may deal with the problem of inflated values but not the difficulty of getting a second mortgage for even a reduced amount because of a lower income. Another alternative is setting an income floor, and excluding all home equity for families with incomes below a certain level. There is however no agreement on the appropriate income cutoff and proposals range from $40,000 to $20,000 for the floor below which home equity is excluded. A simpler option would be deleting home equity entirely from consideration in the formula. This is arguably the simplest approach, but could also be the most

costly in terms of the numbers of middle income families brought into the aid programs because of a decreased expected family contribution.

The Simplified Needs Test

The 1986 HEA amendments attempted to reduce the application burden for the lowest income families applying for student aid by establishing a simplified needs test that excludes data on assets for families with adjusted gross incomes of $15,000 or less and who do not file an IRS 1040. Under current procedures, applicants fill out a worksheet to determine eligibility for the simplified test, and then if they meet the criteria, they are instructed that they may skip the questions on the form dealing with asset information. Many are concerned however that the eligibility test is complex, that families are poorly informed of the purpose of the simplified version, and that many applicants who are eligible are not using the simplified form. The ACFSA estimates that of 6.9 million applicants in 1990-91 (through March 31, 1991), 2.4 million (or 35 percent) were eligible for the simplified test but that only 17 percent of those eligible (or 6 percent of all applicants) actually used only the simplified version.

Some argue that the simplified test as it currently exists just does not work and have proposed its elimination and the use of a checkoff or bypass procedure on the applications for families in certain categories such as Aid to Families with Dependent Children (AFDC) recipients. According to ED data, of 6.9 million applicants, only 550,000 or 8 percent were AFDC recipients, not much more than the number using the current simplified procedure. Others have suggested that better information is needed to help applicants understand their eligibility for the simplified test. Proposals have also been made to expand eligibility for the simplified application by raising the current income limits, perhaps in combination with a bypass or checkoff procedure for the very poorest applicants or welfare recipients. According to the ACFSA, over 95 percent of those filing the simpler IRS forms (1040A and 1040EZ), which have an income limit of $50,000, have negligible income from assets.

INTEGRATION OF THE NEED ANALYSIS FORMULAS

Another simplification proposal intended to increase the efficiency and ease of processing applications, if not necessarily reducing the information required from the applicant, is to combine or integrate the two separate need analysis formulas currently in the statute. Some are concerned with differences in treatment of sources of income or offsets or dependency status that they believe create inequities and which they propose to make uniform across the two formulas. Others have expressed a broader concern with rationales for the formulas and believe the most efficient and logical approach would be to select the best features of both and create a single integrated need analysis formula.

One of the areas of inconsistency is the treatment of veterans' educational benefits. Some of these benefits are currently treated as income for Pell grant purposes and for independent students under the CM formula, while in other cases, they are excluded, but counted as resources for purposes of determining

the need for part B loans or campus-based aid. In part, these inconsistencies are due to differences between the Pell grant program which is considered the foundation of student aid and other title IV aid, which is considered supplementary. In part these inconsistencies are due to the nature of the veterans' programs, some of which are contributory and which do not tie the aid amount to actual educational costs. In an effort to find an equitable way to treat veterans' benefits the same for all programs, some have proposed their exclusion from income generally. Financial aid administrators would be required to take the veteran's benefits into account as a resource when determining the total aid package and the amount of campus-based and part B loan aid awarded.

Another source of inconsistency between the two formulas is the treatment of independent married students without children/other dependents. The question is generally one of whether to assess these students at higher rates similar to single independent students or to provide some additional allowance or offsets to income and assets because of their married status. Many believe that the current CM approach that treats such students the same as independent students with dependents or parents of dependent students is too generous because single independent student's income and assets are assessed at a much higher rate. One approach that has been suggested is to make the CM approach parallel to that used in the Pell formula, i.e., assess such students' income at the same rate as single independent students, but provide more generous asset protection allowances comparable to those for married students with dependents. Another suggested alternative is to treat married students without other dependents the same as single independent students.

Proposals to integrate the two formulas confront the problem of assessing the redistributive impact and particularly the budgetary consequences of any changes in the expected family contribution and therefore the size of the Pell grant awards. In general, the CM formula is characterized by more generous offsets or allowances to income and assets, but higher assessment rates on what remains--the Pell grant EFC formula provides fewer or lower offsets, but also lower rates of assessment on the remaining available income and assets. Overall, however, much of the difference in resulting family contribution amounts under the two formulas is a result of the fact that the CM includes a required minimum contribution of all applicants regardless of income and assets--$700/900 for dependent students or independent students with dependents depending on year in school or $1,200 for single independent students.[12] Any proposal to merge the two formulas must deal with this difference. Alternatives include keeping the minimum contribution in an integrated formula, but then subtracting an equal amount as part of the Pell grant award rules, or conversely, eliminating the minimum from the formula but

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[12]For a study of differences in the formulas and their impact on calculated EFCs for families at different income levels, see Fisher, Fred. *Some Arguments for Using a Single Need Analysis.* Proceedings for the Seventh Annual Conference of the NASSGP/NCHELP Research Network. Washington, May 16-18, 1990.

putting it into the award rules for part B and the campus-based programs. The Administration's legislative proposal for reauthorization proposes using the CM and retaining the minimum contribution, but scaling the amount according to the level of family income for all title IV aid.

Other major components where the CM approach is considered by many to be more realistic or fairer, but which could have major budgetary impacts if used in an integrated formula that applied to Pell grants as well as other title IV aid, are the social security offset to income (there is no deduction for FICA currently in Pell); the Standard Maintenance Allowance, the allowance for living expenses in CM, which is higher than the Family Size Offset in the FCS and considered more realistic; the CM asset protection allowances that are graduated by age of parent rather than flat dollar amounts as in Pell; and, the somewhat higher CM assessment rates on available income, that result in higher, and some argue fairer contribution calculations for middle income families than in Pell. With the exception of the assessment rates on income, adoption of any of these components in a formula used for Pell grants is likely to increase costs, although the overall impact would depend on how the elements were combined in a total formula. Thus, any proposal to integrate the formulas that incorporates these CM components would need to consider the impact on the amount of Pell awards to moderate and middle income families and resulting increased program costs. Given budgetary constraints, that impact may have to be balanced against any desire to increase the maximum Pell award for the poorest students, since there may not be sufficient funds to do both.